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LITTLEFIELD TOWNSHIP

EMMET COUNTY

24-1070

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004



REHMANN ROBSON

Certified Public Accountants

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Littlefield Township		County Emmet
Audit Date 03/31/04	Opinion Date 08/26/04	Date Accountant Report Submitted to State: 10/29/04		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the **Governmental Accounting Standards Board (GASB)** and the Uniform **Reporting Format** for Financial Statements for Counties and Local **Units of Government** in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

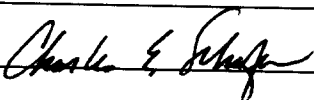
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Rehmann Robson		Charles E. Schafer, CPA	
Street Address 902 S. Huron St., PO Box 250	City Cheboygan	State MI	ZIP 49721
Accountant Signature 			

LITTLEFIELD TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 26, 2004

Township Board
Littlefield Township
Emmet County
Alanson, Michigan

We have audited the accompanying general purpose financial statements of *Littlefield Township* (the "Township"), as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects the financial position of the Township, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2004, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

Rehmann Lohman

GENERAL PURPOSE FINANCIAL STATEMENTS

LITTLEFIELD TOWNSHIP
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 2004

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
Assets			
Cash and cash equivalents	\$ 347,995	\$ 56,094	\$ 14,314
Investments	414,579	-	275,938
Taxes receivable	13,792	12,444	-
Accounts receivable	-	-	47,651
Tap in fees receivable	-	-	63,676
Accrued interest	-	-	-
Due from other funds	879	-	-
Due from other governmental units	46,358	-	28,230
General fixed assets	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-
Total assets	\$ 823,603	\$ 68,538	\$ 429,809
Liabilities and fund equity			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-
Contract payable	-	-	-
Total liabilities	-	-	-
Fund equity			
Investment in general fixed assets	-	-	-
Retained earnings			
Unreserved	-	-	429,809
Fund balances			
Reserved for replacement sewer lines	-	-	-
Unreserved			
Designated for cemetery expansion	25,449	-	-
Undesignated	798,154	68,538	-
Total fund equity	823,603	68,538	429,809
Total liabilities and fund equity	\$ 823,603	\$ 68,538	\$ 429,809

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
\$ 7,099	\$ -	\$ -	\$ 425,502
17,536	-	-	708,053
-	-	-	26,236
-	-	-	47,651
-	-	-	63,676
461	-	-	461
-	-	-	879
-	-	-	74,588
-	646,837	-	646,837
-	-	1,456,332	1,456,332
<u>\$ 25,096</u>	<u>\$ 646,837</u>	<u>\$ 1,456,332</u>	<u>\$ 3,450,215</u>
\$ 879	\$ -	\$ -	\$ 879
6,220	-	-	6,220
-	-	1,456,332	1,456,332
<u>7,099</u>	<u>-</u>	<u>1,456,332</u>	<u>1,463,431</u>
-	646,837	-	646,837
-	-	-	429,809
17,997	-	-	17,997
-	-	-	25,449
-	-	-	866,692
<u>17,997</u>	<u>646,837</u>	<u>-</u>	<u>1,986,784</u>
<u>\$ 25,096</u>	<u>\$ 646,837</u>	<u>\$ 1,456,332</u>	<u>\$ 3,450,215</u>

LITTLEFIELD TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

FOR THE YEAR ENDED MARCH 31, 2004

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust Fund</u>	<u>(Memorandum Only)</u>
Revenues				
Taxes	\$ 81,121	\$ 91,226	\$ -	\$ 172,347
State shared revenue	135,358	-	-	135,358
Contributions from local units	18,159	13,875	-	32,034
Charges for services	28,413	1,195	-	29,608
Interest	17,625	1,139	461	19,225
Other	42,643	-	-	42,643
Total revenues	323,319	107,435	461	431,215
Expenditures				
Legislative	12,317	-	-	12,317
General government	126,323	-	-	126,323
Public safety	1,150	137,633	-	138,783
Public works	9,599	7,613	-	17,212
Library	1,500	-	-	1,500
Debt service	91,831	-	-	91,831
Insurance and bonds	6,454	-	-	6,454
Total expenditures	249,174	145,246	-	394,420
Revenues (under) over expenditures	74,145	(37,811)	461	36,795
Fund balances, beginning of year	749,458	106,349	17,536	873,343
Fund balances, end of year	\$ 823,603	\$ 68,538	\$ 17,997	\$ 910,138

The accompanying notes are an integral part of these financial statements.

LITTLEFIELD TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED MARCH 31, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 82,294	\$ 81,121	\$ (1,173)
State shared revenue	142,000	135,358	(6,642)
Contributions from local units	18,000	18,159	159
Charges for services	29,900	28,413	(1,487)
Interest	21,400	17,625	(3,775)
Other	36,900	42,643	5,743
Total revenues	330,494	323,319	(7,175)
Expenditures			
Legislative	17,150	12,317	4,833
General government	139,190	126,323	12,867
Public safety	1,200	1,150	50
Public works	106,500	9,599	96,901
Library	1,500	1,500	-
Debt service	3,000	91,831	(88,831)
Insurance and bonds	6,600	6,454	146
Capital outlay	20,000	-	20,000
Total expenditures	295,140	249,174	45,966
Revenues over (under) expenditures	35,354	74,145	38,791
Fund balances, beginning of year	749,458	749,458	-
Fund balances, end of year	\$ 784,812	\$ 823,603	\$ 38,791

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 87,750	\$ 91,226	\$ 3,476
-	-	-
21,500	13,875	(7,625)
500	1,195	695
575	1,139	564
-	-	-
110,325	107,435	(2,890)
-	-	-
-	-	-
109,000	137,633	(28,633)
7,750	7,613	137
-	-	-
-	-	-
-	-	-
-	-	-
116,750	145,246	(28,496)
(6,425)	(37,811)	(31,386)
106,349	106,349	-
\$ 99,924	\$ 68,538	\$ (31,386)

LITTLEFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED MARCH 31, 2004

	Enterprise Fund
Operating revenues	
Charges for services	\$ 130,558
Tap-in fees	3,400
Interest and penalties	5,661
Total operating revenues	139,619
Operating expenses	
Salaries and wages	3,150
Contracted services	129,033
Supplies	668
Total operating expenses	132,851
Operating income	6,768
Non-operating revenues (expenses)	
Interest earnings	12,681
User charges for assessment payments	83,932
Harbor Springs Area Sewer Disposal Authority assessments	(136,656)
Total non-operating expenses	(40,043)
Net loss	(33,275)
Retained earnings, beginning of year	463,084
Retained earnings, end of year	\$ 429,809

The accompanying notes are an integral part of these financial statements.

LITTLEFIELD TOWNSHIP

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE**

FOR THE YEAR ENDED MARCH 31, 2004

	Enterprise Fund
Operating income	\$ 6,768
Adjustments to reconcile operating income to net cash provided by operating activities	
Changes in operating assets and liabilities which used cash	
Accounts receivable	(2,114)
Due from other governmental units	2,881
Net cash provided by operating activities	7,535
Cash flows from non-capital financing activities	
User charges for assessment payments	83,932
Harbor Springs Area Sewer Disposal Authority assessments	(136,656)
Net cash used in non-capital financing activities	(52,724)
Cash flows from investing activities	
Interest earnings	12,681
Issuance of note receivable	10,324
Purchase of investments	(86,512)
Net cash used in investing activities	(63,507)
Net decrease in cash and cash equivalents	(108,696)
Cash and cash equivalents, beginning of year	123,010
Cash and cash equivalents, end of year	\$ 14,314

The accompanying notes are an integral part of these financial statements

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Littlefield Township* (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

Financial Reporting Entity

The Township has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and Statement on Michigan Governmental Accounting and Auditing No. 5 (issued by the State Treasurer) and has determined that no entities should be consolidated into its general purpose financial statements as component units. The criteria for including a component unit includes significant financial or operational relationships. Therefore, the reporting entity consists of the primary government financial statements only.

Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into fund types, broad fund categories, and account groups as follows:

Governmental Funds

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Fund is the only Enterprise Fund of the Township.

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. These include an Expendable Trust Fund, and an Agency Fund.

Account Groups

General Fixed Asset Account Group

This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

General Long-Term Debt Account Group

This account group is used to account for all long-term obligations of the Township, except those accounted for in proprietary funds.

Total Columns on Combined Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state sources and intergovernmental revenues. Other revenue sources such as charges for services and sales are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All governmental funds and the expendable trust fund are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measurement of "available spendable resources". Governmental fund operating statements present increases (revenues) and decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The Proprietary Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. The Proprietary Fund operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The Township has elected to apply Governmental Accounting Standards Board Statement No. 20, paragraph 7, which allows the Township to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989 to the Township's proprietary fund.

Budgets and Budgetary Accounting

Budgets for the General Fund and Special Revenue Funds are adopted and amended on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations are approved by the Township Board on a fund level basis; however, the budgets are shown on the functional level basis.

Encumbrances

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings and money market accounts.

Investments

Investments consist of certificates of deposit with original maturities of greater than three months.

Receivables

All receivables are reported at their gross value.

Long-term Debt

Long-term obligations of the Township are reported in the general long-term debt account group.

Reserves and Designations

Reserves and designations represent those portions of fund equity that cannot be appropriated for expenditure or are legally segregated for a specific future use.

General Fixed Assets

General fixed assets purchased are recorded as expenditures in all funds, except the enterprise fund, at the time of purchase. Such assets are capitalized at cost in the general fixed asset account group except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. No depreciation has been provided on general fixed assets.

Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 and are added to the Emmet County tax rolls after February 28.

The delinquent real property taxes of the Township are purchased by Emmet County. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for the property taxes. This will occur in June 2004. These taxes have been recorded as revenue in the current year.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to Township employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Township has had no settled claims resulting from these risks that exceeded commercial coverage in any of the past three years.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the combined balance sheet relating to cash, cash equivalents and investments, and the amounts in the total (memorandum only) column are as follows:

	Total (Memorandum Only)
Cash and cash equivalents	\$ 425,502
Investments	<u>708,053</u>
Total	<u>\$1,133,555</u>

Investments consist of certificates of deposit totaling \$708,053 with an original maturity of greater than 90 days which are classified as a deposit for risk classification purposes.

At year-end the carrying amount of the Township's deposits was \$1,133,555 and the bank balance was classified as to risk as follows:

	Bank Balance
Insured (FDIC)	\$ 500,000
Uninsured-uncollateralized	<u>629,465</u>
Total	<u>\$1,129,465</u>

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Statutory Authority

The Township is authorized by Michigan law to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- f. Mutual funds, registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the fund level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund - Debt Service	\$ 3,000	\$ 91,831	\$ 88,831
Special Revenue Fund - Fire Board	109,000	137,633	28,633

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

4. FIXED ASSETS

The components of the General Fixed Asset Account Group at March 31, 2004, are summarized below. There were no changes in the components during the year ended March 31, 2004.

Land	\$ 175,238
Land improvements	3,434
Equipment	<u>468,165</u>
Investment in general fixed assets	<u>\$ 646,837</u>

5. LONG-TERM DEBT

A summary of long-term obligations and changes therein for the year ended March 31, 2004, is as follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
<u>Long-Term Debt Account Group</u>				
Contract payable to Harbor Springs Area Sewage Disposal Authority; due in semi-annual installments varying from \$85,473 to \$86,551 including interest charged at 2.5%, matures April, 2023.	\$1,008,534	\$ 288,686	\$ (53,567)	\$1,243,653
Contract payable to Harbor Springs Area Sewage Disposal Authority; due in annual installments varying from \$51,538 to \$53,478 including interest ranging from 7% to 8%, matures January, 2009.	\$ 247,240	\$ -	\$ (34,561)	\$ 212,679
Installment contract payable to Bank One, repaid in 2004.	<u>89,876</u>	<u>-</u>	<u>(89,876)</u>	<u>-</u>
	<u>\$1,345,650</u>	<u>\$ 288,686</u>	<u>\$ (178,004)</u>	<u>\$1,456,332</u>

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

The Sewage Authority contract payment in the amount of \$34,561 at March 31, 2004 represents the Township's contractual share (53.17%) of the 1974 Sewage Disposal System Bonds. The bonds were issued by the Harbor Springs Area Sewage Disposal Authority under Act No. 233 and are secured by the full faith and credit pledges of the participating units of government. The Authority retains title to the sewage disposal system. The Township is repaying the contractual debt by assessing a user charge on sewer bills. Contractual payments and user charges are recorded in the Sewage Disposal Enterprise Fund.

The Sewage Authority contract payment in the amount of \$53,567 at March 31, 2004 represents the Township's contractual share (23.29%) of the 2002 Wastewater Treatment Facility Bonds. The bonds were issued by the Harbor Springs Area Sewage Disposal Authority under Act No. 233 and are secured by the full faith and credit pledges of the participating units of government. The Authority retains title to the sewage disposal system. The Township is repaying the contractual debt by assessing a user charge on sewer bills. Contractual payments and user charges are recorded in the Sewage Disposal Enterprise Fund.

Interest expense for the year ended March 31, 2004 was \$40,407.

Maturities of long-term obligations for each of the years succeeding March 31, 2004, including interest of \$370,328, are as follows:

2005	\$ 139,301
2006	138,947
2007	139,506
2008	138,619
2009	137,477
2010 - 2014	429,522
2015 - 2019	429,783
2020 - 2024	<u>273,505</u>
Total	<u>\$ 1,826,659</u>

6. DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the Littlefield Township Group Pension Plan (the "Plan"), which is a defined contribution pension plan established by Littlefield Township and administered and maintained through a life insurance company. The Plan is available to elected officials of the Township. Currently five officials participate in the Plan.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

Contributions made by the officials and the Township vest immediately. An official who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions, plus interest earned. The Plan requires the Township to match 6% of the official's salary.

During the Plan year, the Township's actual contributions were \$1,691, which was 6% of the Township's covered payroll. Employee contributions were \$1,691. Plan provisions and contribution requirements are established and may be amended by the Township Board.

7. JOINT VENTURE

Under authorization of state statutes, the Township joined the Village of Alanson to establish the *Littlefield Alanson Management Authority* (the "Authority"). Although the Authority is legally separate from the Township and the Village of Alanson, it was created for the construction and maintenance of a community building for both governments. The building was financed by the issuance of general obligation bonds, which have been retired. Ownership of the building has reverted from the Authority to the joint property of the Village of Alanson and Littlefield Township. The Authority presently maintains the Community Building and invoices the Village of Alanson and Littlefield Township for operation and maintenance costs.

The Township and Village each appoint one member of the two member board to operate the Authority. The Township contributed one-half of the Authority's annual subsidy.

The following financial information has been obtained from the Authority's unaudited financial statements as of December 31, 2003:

	<u>Littlefield Alanson Management Authority</u>	<u>Littlefield Township's Portion</u>
Total assets	\$ 14,105	\$ 7,053
Total equity	13,450	6,725
Revenues	5,077	2,539
Transfers from the Village and Township	17,000	8,500
Expenditures	17,927	8,964
Net increase in fund balance	4,150	2,075

**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

GENERAL FUND

LITTLEFIELD TOWNSHIP
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Legislative			
Township Board	<u>\$ 17,150</u>	<u>\$ 12,317</u>	<u>\$ 4,833</u>
General government			
Supervisor	7,700	7,500	200
Elections	1,200	-	1,200
Assessor	33,500	32,204	1,296
Clerk	12,600	9,357	3,243
Board of Review	800	504	296
Treasurer	21,000	20,673	327
Cemetery	18,980	13,712	5,268
Township Hall	35,910	35,899	11
Other	-	3,756	(3,756)
Legal and audit	7,500	2,718	4,782
Total general government	<u>139,190</u>	<u>126,323</u>	<u>12,867</u>
Public safety			
Zoning	<u>1,200</u>	<u>1,150</u>	<u>50</u>
Public works			
Highways and streets	<u>106,500</u>	<u>9,599</u>	<u>96,901</u>
Library	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Debt service			
Principal	-	89,876	(89,876)
Interest	3,000	1,955	1,045
Total debt service	<u>3,000</u>	<u>91,831</u>	<u>(88,831)</u>
Insurance and bonds	<u>6,600</u>	<u>6,454</u>	<u>146</u>
Capital outlay	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>\$ 295,140</u>	<u>\$ 249,174</u>	<u>\$ 45,966</u>

SPECIAL REVENUE FUNDS

LITTLEFIELD TOWNSHIP
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

MARCH 31, 2004

	<u>Oden Light Fund</u>	<u>Fire Board Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,926	\$ 49,168	\$ 56,094
Taxes receivable	<u>1,133</u>	<u>11,311</u>	<u>12,444</u>
Total assets (equal to fund balance)	<u>\$ 8,059</u>	<u>\$ 60,479</u>	<u>\$ 68,538</u>

LITTLEFIELD TOWNSHIP

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS**

FOR THE YEAR ENDED MARCH 31, 2004

	Oden Light Fund	Fire Board Fund	Total
Revenues			
Taxes	\$ 7,634	\$ 83,592	\$ 91,226
Contributions from local units	-	13,875	13,875
Charge for services	-	1,195	1,195
Interest	48	1,091	1,139
Total revenues	7,682	99,753	107,435
Expenditures			
Public safety	-	137,633	137,633
Public works	7,613	-	7,613
Total expenditures	7,613	137,633	145,246
Revenues over (under) expenditures	69	(37,880)	(37,811)
Fund balances, beginning of year	7,990	98,359	106,349
Fund balances, end of year	\$ 8,059	\$ 60,479	\$ 68,538

FIDUCIARY FUNDS

LITTLEFIELD TOWNSHIP
COMBINING BALANCE SHEET
FIDUCIARY FUNDS

MARCH 31, 2004

	Expendable Trust Fund	Agency Fund	
Assets	Pickeral Lake Properties	Tax Collection	Total
Cash and cash equivalents	\$ -	\$ 7,099	\$ 7,099
Investments	17,536	-	17,536
Accrued interest	461	-	461
Total assets	\$ 17,997	\$ 7,099	\$ 25,096
Liabilities and fund balance			
Liabilities			
Due to other funds	\$ -	\$ 879	\$ 879
Due to other governmental units	-	6,220	6,220
Total liabilities	-	7,099	7,099
Fund balance			
Reserved for replacement of sewer lines	17,997	-	17,997
Total liabilities and fund balance	\$ 17,997	\$ 7,099	\$ 25,096

LITTLEFIELD TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES TAX COLLECTION AGENCY FUND

FOR THE YEAR ENDED MARCH 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Assets				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 2,250,286</u>	<u>\$ 2,243,187</u>	<u>\$ 7,099</u>
Liabilities				
Due to other funds	\$ -	\$ 191,355	\$ 190,476	\$ 879
Due to other governmental units	<u>-</u>	<u>2,058,931</u>	<u>2,052,711</u>	<u>6,220</u>
Total liabilities	<u>\$ -</u>	<u>\$ 2,250,286</u>	<u>\$ 2,243,187</u>	<u>\$ 7,099</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 26, 2004

Township Board
Littlefield Township
Emmet County
Alanson, Michigan

We have audited the general purpose financial statements of *Littlefield Township* (the "*Township*") as of and for the year ended March 31, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board, management and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

